

**ILLUSTRATIVE EXAMPLE OF COMMODITY ARRIVAL CONTROL
AND END-USE REVIEW SYSTEM
(formerly HB 15, App 10A)**

- A. This Appendix provides an illustrative example of a Commodity Arrival Control and End-Use Review system that the Mission may establish and maintain when it has been determined that the B/G cannot reasonably assure the requirements, as stated in 10C of this chapter, are being met. The sample guidelines may be adjusted to adapt to the specific requirements of each Mission.
- B. The Appendix consists of a sample:
1. **Mission Order** detailing the purpose, scope and responsibilities for a Commodity Arrival Control and End-Use Review system;
 2. **Commodity Arrival Control Procedures** outlining the procedure involved in conducting Commodity Arrival Control; and
 3. **End-Use Review Procedures** describing the procedure for performing end-use checks.

(ILLUSTRATIVE EXAMPLE)
MISSION ORDER

SUBJECT: Commodity Arrival Control and End-Use Monitoring

I. **Purpose**

To establish specific responsibilities and USAID procedures for commodity arrival control and end-use monitoring of AID-financed commodities.

II. **Application**

The effective utilization of AID assistance requires that commodities financed by AID reach the ultimate user on a timely basis and in a usable condition. This Mission Order outlines policies and procedures aimed at ensuring that AID-financed commodities are properly accounted for and expeditiously delivered.

III. **Policy**

A. **Utilization**

AID project and nonproject agreements specify that the borrower/grantee shall ensure that the commodities financed under such agreements shall be effectively used for the purpose for which the assistance was made available. AID project agreements require that goods financed by AID be devoted to the project until its completion, and thereafter be used so as to further the objectives sought in carrying out the project. Effective use of commodities under project agreements means delivery and use in accordance with project implementation plans.

Effective use under nonproject assistance is defined as being:

- I. Prompt processing of commodity imports through customs and removal from customs by the importer within 90 calendar days of arrival, unless the importer is hindered by **force majeure**; and
2. Consumption or use by the importer or sale or transfer by the importer for consumption or use within one year from the date the commodities are released from customs at the port of entry, unless a longer period can be justified to the satisfaction of AID by reason of **force majeure**, special market situations or other circumstances.

Both types of agreements prohibit the re-export of AID-financed commodities without the prior approval of AID, and prohibit the use of AID-financed commodities to promote or assist activities associated with or financed by Communist countries and for certain other prohibited activities. Finally, project agreements provide that insurance proceeds for AID-financed commodities that are lost or damaged be utilized in support of the projects for which they were purchased while nonproject agreements require that such proceeds be used to import eligible items if the insurance was financed by AID.

B. Maintenance of Records

AID Regulation I, Section 20I.41 requires that the borrower/grantee maintain, for a period of three years following the date of payment or reimbursement by AID, records adequate to document the arrival and disposition in the cooperating country of all commodities financed by AID which will identify the importer (or first purchaser or transferee if the commodity is imported by the borrower/grantee). Project agreements contain language similarly defining the borrower/grantee's responsibilities for the maintenance of records.

If the "Host Country" government has not developed adequate commodity records, the Controller and the office designated with commodity control responsibility will maintain commodity arrival control records as outlined in "Commodity Arrival Control Procedures" (Attachment A) for all AID-financed commodities entering the host country. These records will be in sufficient detail to show data pertaining to shipment, arrival, release from customs, and receipt by the importer. The recording of the flow of commodities will include dates, quantity, and dollar value of each transaction.

USAID offices and Project Officers shall forward to the Mission Controller all pertinent correspondence related to the procurement and shipment of commodities, for example, copies of Letter of Commitment (L/COMs), PIO/Cs, contracts or purchase orders under which the commodities are ordered, bills of lading, marine insurance policies, packing lists, export invoices, letter of credit, certificates of origin, and import licenses. After entry of appropriate data for arrival accounting by the USAID Controller, these documents will be forwarded to the office responsible for conducting commodity arrival control.

C. Monitoring Responsibilities

I. Commodity Arrival Control

The performance of commodity arrival control should be delegated to the Commodity Management Office. In Missions where there is no Commodity Management Office, the Mission Director should designate a responsible office to monitor and perform commodity arrival checks for all AID-financed commodities, project and nonproject, entering the country.

2. End Use Reviews

a. Project Commodities

Project Officers have the ultimate responsibility for ensuring that project commodities financed by AID are being effectively utilized in the project and project objectives are being met. Project Officers with the assistance of other USAID offices, and host country counterparts will continually monitor their projects and give periodic end-use reports to the Mission Director and Mission staff concerned as outlined in "End-Use Review Procedures" (Attachment B). Recommendations on corrective action that must be initiated should at once be brought to the attention of appropriate officials, USAID or host country, to assure appropriate action is taken.

b. End use reviews for nonproject assistance should be the responsibility of the Commodity Management Office. In Missions where there is no Commodity Management Office, the delegation of this responsibility is at the discretion of the Mission Director. End use checks should be conducted as described in "End-Use Review Procedures" (Attachment B) to determine whether the Borrower/Grantee or importer is in compliance with AID Regulation I requirements.

D. Reports

Reports will be prepared and submitted as required by AID regulations and outlined in the "Commodity Arrival Control Procedures" (Attachment A) and "End-Use Review Procedures" (Attachment B).

COMMODITY ARRIVAL CONTROL PROCEDURES

A. MISSION CONTROLLER RESPONSIBILITIES

1. A general review is made of agreement terms and conditions, and pertinent information is recorded in appropriate ledgers and files.
2. Implementation Letters and attached documents (received from Project Officers) are reviewed to determine that Conditions Precedent (CPs) have been met and whether there are specific instructions regarding commodity procurement, arrival, control and utilization.
3. Financing Requests (FRs), Letters of Commitment (L/COMs), and Letters of Credit (L/Cs) received are reviewed and certified as to loan/grant fund availability and appropriately recorded.
4. In-transit payment, arrival and customs release data received with respect to nonproject assistance will be recorded in the Arrival Accounting Ledger and subsidiary records.
5. Periodic listings will be provided to the office responsible for commodity arrival control of all shipments which have not arrived in port within a reasonable time and of all arrived commodities which have not cleared customs.

B. COMMODITY ARRIVAL CONTROL RESPONSIBILITIES

Note: Commodity arrival control responsibilities are normally assigned to the Commodity Management Office. In Missions where there is no Commodity Management Office, the delegation of this responsibility is at the discretion of the Mission Director.

Missions in landlocked countries may establish liaisons with USAID offices in the arrival port country to assist in performing commodity arrival control. If there is no Mission in the country/port of entry, and regional representative is unable to assist, the commodity control function may be contracted to a designated freight forwarder or other qualified individual.

1. The office designated with commodity arrival control responsibility initiates and records pertinent available data on the Outgoing Status Report (Form A attached) from shipping documents (i.e., bills of lading, packing list, invoices, etc., received from suppliers).
2. Two copies along with all pertinent shipping information are then forwarded to the designated officer/contractor performing commodity arrival control for each shipment involved. This form is then completed based on data obtained from Customs, importers (when Customs data unavailable), port captain and shipping agents.
3. After completion of this form by the designated officer or contractor, one copy is returned to the office designated with commodity control responsibility along with Surveyor's Reports, if applicable, and one copy to the Controller's office for posting the completed data in the Arrival Accounting Ledger.
4. Designated officer/contractor performing commodity arrival control also will periodically (minimum every 90 days) canvass port areas including all warehouses, storage areas and other facilities for distressed AID cargo and complete the Distressed Cargo and Commodity Aging Report (Form B attached) which is then forwarded to the office responsible for commodity arrival control. Commodities can be identified by AID emblem, L/COM or L/C Nos., importer, shipper or any other evidence of AID financing.
5. Upon receiving reports on port canvassing conducted by the designated officer/contractor on distressed cargo, the office responsible for monitoring commodity control will notify Host Country importers to clear items from the port. For project commodities, the responsible office will inform Project Officers who in turn will notify the appropriate host country project individuals to clear the project commodities.
6. If any AID funded commodity ends up in the abandoned cargo warehouse of the port area, a letter with all pertinent information on the commodity should be sent to the management of the abandoned cargo warehouse requesting that the item not be sold. Appropriate action is then taken to ensure that the item is retrieved and expeditiously cleared from the port.

FORM A

**COMMODITY ARRIVAL
OUTGOING STATUS REPORT**

Date Forwarded:

Control No.

Importer:
Commodity:
Supplier:
Vessel Name:
Ship Arrival Date

L/COM; Project No.
L/C; PIO/C No.
Terms:
Bill of Lading No.
Voyage No.

Value(\$)	QUANTITY Date	U/M	Gross Wt	Net Wt
-----------	------------------	-----	----------	--------

SHIPPED:

OFF LOADED:

RELEASED
CUSTOMS:

RECEIVED BY
IMPORTER

SHORT
SHIPMENT:

DAMAGED:

LOSSES:

REMARKS:

FORM B

DISTRESSED CARGO & COMMODITY AGING REPORT

Date Conducted:_____

Item or Case No. Marking	Vessel Name	Date Arrived Storage	Commodity	Importer/ Project	L/COM, L/C P I O / C
-----------------------------------	----------------	----------------------------	-----------	----------------------	----------------------------

ATTACHMENT B

END-USE REVIEW PROCEDURES

To keep the Mission Director and appropriate USAID offices informed of usage of AID-funded equipment and commodities and to assure proper utilization and adherence to AID regulations and project agreements, it is essential that end-use reviews be made.

Guidelines/procedures for assisting in the conducting of end-use reviews are outlined below.

I. **General Preparation**

- I. Review Loan/Grant Agreement, Implementation Letters, and prior end-use and audit reports (if any) for general background information (e.g., overall objective of loan/grant), and to determine whether there are restrictions/conditions regarding usage of the commodities, and whether there are problem areas requiring follow-up.
2. Review and compare applicable L/COMs, L/Cs, files and accounting ledgers to determine Host Country Government responsibilities, dollar value, shipping and billing instructions, completeness of shipping documents, accuracy of ledger, and commodity arrivals to date.
3. Determine the scope of the end-use review based on 1 and 2 above and II. 1 below. Extract arrival data as necessary for verification from the importer or project organization.

II. **Field Work**

- I. Make initial contact and visit(s) to the Importer/Project organization involved; provide USAID introduction letter if necessary, and explain purpose of review. Determine key persons to contact for information, and location of records and commodities. Request copies of commodity and distribution summaries as necessary.
2. Verify information developed from 1 above on a test basis with the importer's/project organization's property and accounting records; actual commodities on hand (i.e., physical observation/verification) and, if applicable, commodities either consumed in processing or re-sold. Sales records or production records and work orders should especially be examined where the commodities have been re-sold or are of a bulk or fungible nature (i.e., corn, fertilizer, insecticide, etc.)

3. Determine whether claims have been filed for all losses and shortages and whether insurance proceeds are used in accordance with AID regulations.
4. Determine whether the commodities are being utilized properly and in a timely manner. Determine whether the desired results or benefits are being achieved and whether the objectives established by the program or project agreements are being met. If not, determine why, and ascertain importer's/project organization's plans for future utilization. Generally, AID nonproject assistance agreements require that commodities be used or consumed within one year from date of arrival at port of entry, unless otherwise agreed to by AID; whereas project commodity utilization is based on implementation plans. Some points to be considered are as follows:
 - a. Determine if the importer/project organization has an overall commodity utilization plan with measurable, interim levels of achievement. If so, compare the plan with actual utilization to date; determine reasons for overly-slow utilization and importer's/project organization's intended solution.
 - b. If damaged or poor quality equipment has been received (or is on hand after being used), determine reasons why and intended corrective action by the importer/project organization. (For example, will the equipment be replaced/repared, when and by whom?)
 - c. Determine whether spare parts support and repair and maintenance of equipment are adequate. If not, determine why, and importer's/project organization's intended solution.
 - d. If not readily apparent, determine usage-purpose of the commodity and obtain importer's/project organization's unofficial opinion as to the overall success or failure of the commodities involved.
5. Determine that commodities and/or their packing/shipping cases have adequately affixed AID Emblems per AID regulations.

III. Completion

- I. End-Use findings should be discussed with other responsible USAID officers, and their reactions noted on the workpapers.
2. Neat orderly workpapers should be written up during the entire review and retained in a folder (along with the necessary copies of documents obtained from the Importer/Project organization) to adequately support all End-Use work performed.

3. Draft End-Use Report is submitted to supervisor for review and approval with workpaper folder. Present findings and conclusions objectively and in language as clear and simple as the subject matter permits. Place primary emphasis on improvement rather than criticism of the past. Critical comments should be presented in balanced perspective, recognizing any unusual difficulties faced by operating officials. Include, when necessary, recommendations to effect improvements.
4. Written End-Use Reports are to be distributed to the Director, Deputy Director, and to those USAID officials who are responsible for taking corrective action on findings and recommendations.
5. The End-Use Report Log should be posted; and the Accounting Ledger and files should be updated and corrected, as necessary, based on the End-Use Review performed.

DRCD8\32456s